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The Rowell-Sirois Report and the Social Services¹

THE REPORT of the Rowell-Sirois Commission, presented to Parliament and the Canadian people in May of 1940, is an epic document. For it surveys the federal system of government that was established by the Fathers of Confederation in 1867 and it proposes very important revisions of this system to fit the stubborn socio-economic facts of the present industrial era.

Such an undertaking calls for a review of practically all aspects of Canadian life that touch closely upon government, so that there is something of special interest in the report for almost every Canadian. It is particularly significant for those concerned with social welfare. For it was the heavy costs of unemployment relief and of other social services during the depression decade of the 1930's and the accompanying breakdown of public finances in some provinces and in many municipalities that brought to a head the constitutional problem upon which the Commission was asked to report. Therefore the Commission's findings and recommendations are much concerned with the social services. It is mainly the social service aspects of the report that will be reviewed in this article. But other aspects must be discussed also, for the Commission's approach to the social services is only to be understood in the light of the broad scope of its inquiry.

The report is truly monumental. It consists of two volumes of 556 pages (each twice the size of an ordinary book page), with a third volume of statistical and documentary material. This is supported by research studies consisting of separate reports on public finance statistics for the Dominion and each province and of 17 monographs on various subjects which were prepared by the expert advisers retained by the Commission.² This mass of printed material is the result of a most searching inquiry into the ills of the Canadian body politic. The Commission was instructed, when it was appointed by the Dominion Government in 1937, to conduct a "re-examination of the economic and financial basis of Confederation and of the distribution of legislative powers in the light of the economic and social developments of the last seventy years." Evidence to provide a basis for conclusions on this large question was obtained from two main sources, presentations by public and private bodies throughout the country and research studies undertaken by the Commission's own staff. Public hearings, at which briefs and testimony from the Dominion and provincial governments, from municipal associations,

¹This is based largely upon an article by the writer, "The Social Services in a Federal System," *Social Service Review*, University of Chicago Press, (December, 1940).

²A full list of the Commission's reports and studies is appended on page 32.

and from diverse private organizations were presented, were held on 85 days during 1937 and 1938. The evidence mounted in all to about 10,000 mimeographed pages, supported by 427 documentary exhibits. The research staff that was recruited to undertake special studies and to offer technical advice consisted largely of economists, lawyers and political scientists from the universities and included some of the most able men in Canada from these several professions. Thus the Commission made every reasonable effort to obtain both the views of the mass of the people and the best expert advice on how Canada's constitutional problem should be solved. With this information before them it was to be expected that the five commissioners,³ all men of outstanding ability who were unconnected with partisan interest groups, would make a notable contribution to Canadian political thought.

This they have undoubtedly done in their report. It represents a great enterprise in political stock-taking which is sure to exert a marked influence on Canadian thinking and public policy. It should be read very widely, both because of the importance of its findings and because it is a mine of information about Canadian history, economics and politics.

THE RESEARCH STUDIES Lying back of the diagnosis of the Commission and pointing the way towards the recommendations is the work of the specialists who were called in to explore and to report upon particular aspects of the problem. The results of their work appear in the separate research studies, each one published under the writer's name and as an expression only of his own views. For the last 20 years a good deal of patient research on Canadian social and economic problems has been going on, quietly and unobtrusively. In these reports this work is abundantly reflected, providing the foundations for many of the studies. This is striking testimony to the value of social research for which Canada has made but small provision. Basic research studies may attract virtually no public attention for years, but the time comes, as in this instance, when they are of inestimable value as guides to public policy.

Dr. A. E. Grauer, formerly head of the Department of Social Science at the University of Toronto, prepared four monographs on the social services entitled respectively *Public Health*, *Public Assistance and Social Insurance*, *Labour Legislation*, and *Housing*. These are useful accounts of the anatomy, if not the physiology, of the major social services in Canada, for they bring together for the first time a mass of factual material on historical background, statutory enactments, case loads and expenditures, division of func-

³Hon. Newton Rowell (chairman), Dr. Joseph Sirois, Mr. J. W. Dafoe, Prof. H. F. Angus, and Prof. R. A. MacKay. Mr. Rowell was forced to resign on account of ill-health before completion of the work, and was succeeded as chairman by Dr. Sirois who, with the other three commissioners, signed the report.

tions between the three branches of government, administrative organization, and major policies. If they do not get far beneath this official surface into questions of administrative practice and procedure this can be explained, in large part, by the scarcity of literature on the social services in Canada. In consequence Dr. Grauer had inadequate basic monographic material upon which to draw and he was obviously compelled, in the limited time at his disposal, to rely for his information chiefly on statutes, regulations, and other official documents and reports, supplemented by official replies to questionnaires. This lack of inquiry into administrative realities would not have mattered if they were unimportant factors for consideration by the Commission. They were, however, very important, and the Commission does not appear to have given them sufficient weight in reaching its conclusions. This will appear later, from some of the comments on the Commission's social service recommendations.

The Commission's Diagnosis

The first volume of the report, *Canada: 1867-1937*, is devoted to a survey of the growth of the Canadian federation. Confederation was designed to give the British North American colonies certain economic and political advantages of union (including a capacity to resist any tendency of the United States to play an imperialist role in the West!) and at the same time to leave them in control of all matters not clearly affected with a national interest. The powers of the Dominion and the provinces respectively were set forth in some detail by the British Parliament in a written constitution, the British North America Act. To the provinces there was given jurisdiction over education, health, welfare, municipal affairs, "local works and undertakings," administration of justice "in the Province," agriculture and immigration subject to the rule that no provincial act should be "repugnant to any Act of the Parliament of Canada," "property and civil rights in the Province," and "generally all matters of a merely local or private nature in the Province." The Dominion was expressly given jurisdiction over money and banking, defence, external relations, the regulation of trade and commerce, postal service, patents and copyrights, the criminal law and penitentiaries, and all other matters not specifically assigned to the provinces. In addition it was given power to disallow provincial legislation. Economic development—the building of roads, railways, and canals, the opening up of land for settlement, and the encouragement of new industries—was conceived to be the great task of the central government, for which it must have broad powers, including the right to raise money by "any Mode or System of Taxation."

Since the functions of the provinces, such as education, health, welfare, and control of municipal affairs, were not considered to be particularly expensive they were left (to quote the Commission) "with but fractions of their former revenue sources" by virtue of the provision that they must limit themselves to "Direct Taxation within the Province." The Commission reports that "the transfer of the dynamic, expanding functions of government to the Dominion while the provinces retained those which were thought to be static or likely to decline explains the lop-sided division of the revenue sources of the time."⁴ The provisions of the constitution which have been mentioned and other evidence lead many Canadians to believe that the Fathers of Confederation contemplated a strong central government to which the provinces would be quite subordinate—an interpretation which the commissioners support in part.

THE WORKING OUT OF THE PACT If this was the intention of the framers of the constitution it has not been realized in practice.

Enthusiasm for a strong central government waned shortly after Confederation, and during the long depression of the 1870's and the 1880's there emerged a doctrine of provincial rights (similar to the states' rights doctrine in the United States) that was to be vigorously championed by several generations of provincial representatives. Issue after issue of legislative jurisdiction arose that demanded interpretation of the constitution by the Supreme Court of Canada and the final court of appeal in London, the Judicial Committee of the Privy Council. In a number of important decisions the Privy Council limited the powers of the Dominion and broadened those of the provinces, particularly by interpreting the property and civil rights clause of the constitution to cover a very broad area. In consequence the residuary powers under the constitution were largely transferred from the Dominion to the provinces. The financial powers of the provinces were strengthened by decisions that interpreted "direct taxation" to cover taxes on corporations and sales taxes, thus opening the way for the use of similar taxes by both the Dominion and the provinces. The culmination of this judicial limitation of federal and strengthening of provincial powers came in 1937, when the Privy Council declared invalid five important statutes adopted by Parliament in 1935 as part of Prime Minister R. B. Bennett's "New Deal"—three of them providing for nation-wide standards of minimum wages, maximum hours of work, and weekly rest periods, the fourth for a national system of unemployment insurance, and the fifth for national control of the marketing of agricultural products. As the Commission points out, "The Canadian dilemma over social legislation was thus sharply outlined. The constitution forbids the Dominion to establish uniform labour legislation of general application, and despite the unrestricted taxing power of the Dominion, the

⁴Book I, p. 46.

possibility of framing any contributory social insurance scheme of nation-wide extent which could be validly enacted by the Dominion is open to the gravest question.”⁵ Moreover, “the constitution as it stands today divides the power of regulating economic activity between the provinces and the Dominion. A great deal of the business activity of today is national in its scope and cannot be easily divided into intra-provincial and extra-provincial aspects for the purpose of regulation.”⁶

Contrary to the expectations of the Fathers of the Confederation the functions of the provinces became relatively more, rather than less, important as time passed. By the beginning of the present century the provinces and their municipalities had established elementary health and welfare services and were operating extensive educational systems. The coming of the automobile demanded great outlays for highways. “The War,” to quote the Commission, “hastened considerably the acceptance of the philosophy of the social service state in Canada,”⁷ and between 1921 and 1930 public welfare expenditures⁸ by all governments increased by 130 per cent, with 80 per cent of the total amount in 1930 being carried by the provinces and the municipalities. The Dominion’s share would have been very much smaller had it not, in 1927, passed an old age pension act which provided for federal assumption of 50 per cent of the costs of old age assistance schemes adopted by the provinces; (later, in 1931, enlarged to 75%).

While there were complaints from the provinces, notably the Maritimes, about their limited revenue sources and other grievances incidental to their position in the federal system, they were generally able to carry their expanding obligations so long as Canadian economy was flourishing. This happy condition prevailed, with only minor setbacks for short periods, for the four decades following the beginning of the “Wheat Boom” about 1890. Relatively good economic conditions both limited demands for social service and guaranteed good revenues to the provinces and the municipalities, thus hiding the potential extent of their obligations and keeping a fundamental constitutional problem in the background.

THE IMPACT OF THE 1930’s But the inappropriate division of functions and powers between the Dominion and the provinces was sharply brought to light by the great depression of the 1930’s. Canada was particularly susceptible to the shock of world depression, for her economy was based upon the export of wheat, lumber, newsprint, mineral products, and other raw materials or semi-

⁵*Ibid.*, p. 249.

⁶*Ibid.*, p. 252.

⁷*Ibid.*, p. 111.

⁸The Commission’s calculations under the general heading “public welfare” cover expenditures on public health, public assistance, child welfare, and mental hygiene services and also the operating costs of departments enforcing labor legislation.

processed goods, with the secondary manufacturing and service industries of Ontario and Quebec depending largely for their markets upon the primary producers. Prices dropped calamitously, trade fell off, national income per capita fell by 48 per cent from 1928-29 to 1933, and average unemployment in 1933 rose to about 650,000, at least 25 per cent of the country's working force. This economic setback would have been most serious if it had been evenly distributed by economic groups and by regions. But it was not. The burdens of depression were concentrated particularly upon certain groups and areas, notably the farmers of the West, the workers in exporting industries, the raw material producing districts of the various provinces, and the working-class municipalities surrounding the larger cities. The Prairie provinces, the great wheat-producing area of the country, were particularly hard hit, partly because serious drought conditions appeared concurrently with the lowest grain prices in all Canadian history. The Commission says that "total income in the area fell almost by half and agricultural income by almost four-fifths, from the 1926-29 average to the 1930-37 average. These bare statistics, however, cannot convey the full measure of the Western debacle, with its shattering blows to living standards, to adequate nutrition, to health services, to educational standards, to community equipment such as highways, and to individual hopes and dreams and ambitions."⁹

This meant relief for the destitute, and relief on a huge scale. The demands for assistance were first made upon the municipalities, and they promptly turned to the provinces. The provincial governments, with their revenues shrinking, called for help from Ottawa, and by the fall of 1930 the Dominion Parliament passed the first unemployment relief act, to provide for grants-in-aid to the provincial authorities, and through them, to the municipalities. This was the first step in the great unemployment relief program which has been continued to the present and which involved the expenditure of about one billion dollars of public funds, federal, provincial, and local, from 1930 to 1937. As the depression continued other health and welfare costs also increased, so that by 1937 the outlay for public welfare was about \$250,000,000, or 25 per cent of public expenditures for all purposes. Education cost an additional \$109,000,000, or 36 per cent of the total costs of government. By 1937 the Dominion Government was bearing 44 per cent of all public welfare costs, mainly on account of its large grants-in-aid to the provinces for unemployment relief and old age pensions. But even these heavy subsidies, distributed mainly on a percentage-of-cost basis, did not solve the financial difficulties of governmental bodies. Many municipalities were bankrupted, the western provinces had to be assisted by emergency Dominion loans, and deficits became general. The incidence of the

⁹Book I, p. 197.

depression varied greatly as between the provinces, so that "the costs of relief varied inversely with the ability to meet them. . . . The weight of the burden in Saskatchewan, the Province most severely affected, was about five times as great as that in the Maritimes and Ontario, the Provinces least affected."¹⁰

EFFECT ON PUBLIC FINANCES

Thus problems of the social services, through their effects on public finance, played a major part in the creation of the constitutional crisis.

which the Commission was charged to investigate. "The growth in government expenditures and functions has not fitted the simple pattern which was set up in 1867," states the Commission. "Public welfare, the outlay upon which was negligible in 1874, took more than one-third of the provincial revenues in 1937. Thus (including welfare, highways and transportation, and economic development) expenditures which were virtually non-existent at Confederation absorbed nearly 60 per cent of total provincial receipts on current account in 1937. . . . The share of the total costs of government borne by the Dominion, which possesses the broadest base of taxation, fell from two-thirds to less than one-half."¹¹ At the same time the provinces have been permitted, by virtue of interpretations of the constitution, to enter the field of indirect taxation, so that tax duplication between the Dominion and the provinces has developed. This has made for an inefficient, uneconomic system of taxation, substantially regressive, within which "neither the Dominion nor the provinces, nor both together, have been able to employ the progressive taxes to the extent that is socially and economically desirable."¹² Dominion efforts to meet the financial needs of the provinces by means of conditional grants-in-aid,¹³ particularly for unemployment relief, have not led, in the estimation of the Commission, either to financial justice or to satisfactory administration of the subsidized services. The Commission's conclusion is that there is needed "some redistribution of the functions (of government) as between the Dominion and the Provinces," . . . "a better allocation of taxing powers and responsibilities," and adjustment of "the revenue sources to the functions so as to ensure that every unit of government will be financially able to meet its recognized responsibilities."¹⁴

¹⁰*Ibid.*, p. 164.

¹¹*Ibid.*, p. 245.

¹²*Ibid.*, p. 245.

¹³Conditional grants are made by one government body to another for some specific purpose such as, in Canada, unemployment relief, old age pensions, and employment offices, usually on condition that the receiving body comply with certain conditions, such as accounting and reporting procedures, employment of qualified personnel, and other administrative standards. They are to be distinguished from outright subsidies, such as those made to the provinces by the Dominion as part of the terms of Confederation, which go to the provincial treasuries without being earmarked for any special purpose and without any other conditions.

¹⁴Book II, p. 246.

The Research Reports

A number of the research studies deserve special comment. In his study of *Public Assistance and Social Insurance* Dr. Grauer presents an unattractive picture of unemployment relief in Canada over the past ten years. Work relief was generally found to be too expensive and direct relief or material aid, administered by the municipal authorities with the greater part of the costs being met by Dominion and provincial grants-in-aid, has been the chief method of assistance. Hence "the method of treatment is still basically that of poor relief"¹⁵—with poor relief characteristics all too common, such as lack of uniformity from place to place, inadequate standards of assistance, lack of classification of applicants, administration by untrained personnel, and lack of constructive measures of rehabilitation. Partly because the unemployment relief scheme was conceived in 1930 as an emergency measure and "partly because of the general political considerations that apply to Dominion-provincial relations in all conditional grants, the Dominion Parliament has not attempted to lay down standards for administrative practices and procedures, such as personnel, eligibility for relief, scope and scales of relief, inspection, and so forth."¹⁶ Nor have the provinces gone far in the setting of administrative standards for their local authorities. The unemployment relief scheme has involved constant "haggling between governments which has been the bane of grants-in-aid from the beginning."¹⁷ With respect to the other main system of welfare grants, that for old age pensions whereby the Dominion Government since 1931 has met 75 per cent of the costs of provincial schemes, Dr. Grauer concludes that there has been less difficulty because the problems of administration have been simpler, but that the experience has been far from satisfactory. "There is no ground," he says, "for believing that the Dominion can exercise effective control over the administration of such a grant, extending to procedures and personnel, without causing grave inter-governmental friction. Certainly no attempt has been made to do so."¹⁸

THE QUEBEC APPROACH A major aspect of the conditional grant problem in Canada is brought out by Prof. Esdras Minville, of L'Ecole des Hautes Etudes Commerciales, Montreal, in his study on *Labour Legislation and Social Services in the Province of Quebec*, although he scarcely mentions the subject. Nevertheless by indirection he gets to the heart of this problem, as well as of other problems of inter-governmental relationships in the Canadian setting. His study is more valuable as a statement of the "Quebec point of view" than as a technical analysis of the Quebec social services. He

¹⁵*Op. cit.*, p. 24.

¹⁶*Ibid.*, p. 37.

¹⁷*Ibid.*, p. 38.

¹⁸*Ibid.*, p. 51.

begins with a substantial and illuminating statement of Catholic doctrine on social policy which is much to be commended to those Canadians who have only vague ideas on this important subject. He then proceeds to describe how this has influenced the development of social services in his province. Until recently, he states, the Church has carried the main burden of social welfare. The intervention of the state during recent years on a scale comparable in range of interest and in expenditure with that of other provinces he interprets as a reinforcement rather than a displacement of the earlier activities of the Church. "In the province of Quebec," he says, "the organization of social welfare is in private initiative, and Catholics are generally agreed that it must so remain. Let the state intervene to make up the deficiency, to complete, but never to displace or dominate."¹⁹ Since Dominion measures to deal with unemployment, either through conditional grants, direct administration of assistance, operation of unemployment insurance, stabilization of the labor market, or other means would have to be bureaucratic schemes of nation-wide application, the Quebec doctrine of social welfare would inevitably be violated. Hence the control of social insurance, relief, and other social services should remain in the hands of the Quebec government, and the "Dominion Government, by relinquishing taxation, should allow the province to collect funds necessary to its requirements."²⁰ This point of view goes far to explain why Quebec has been reluctant to accept the conditions that have been attached previously to Dominion grants for unemployment relief and other purposes.

REGIONAL INEQUITIES Prof. W. A. Mackintosh, of Queen's University, in the main economic study prepared for the Commission,²¹ develops the familiar theme of an economy dependent for prosperity upon specialized exports, such as wheat and newsprint, which is liable to sharp regional variations in income. In consequence, he concludes, "the maintenance of government activities on their present scale will require large inter-regional transfers of income at times."²² Prof. W. J. Waines, in another study,²³ reaches the striking conclusion that land settlement in the West offers no hope for the unemployed of the cities, for the Prairies have but small prospect of supporting greater population than at present. This conclusion is

¹⁹*Op. cit.*, p. 97. However, public expenditures on welfare are much greater than private expenditures in Quebec, as in other provinces. Prof. Minville estimates (p. 49) that annual expenditures by the religious orders of the province on social welfare amount to about \$10,000,000. In addition there are other private agency expenditures that would, in total, amount to very much less. In 1937, according to the Commission's estimates (Book III, pp. 60, 61), provincial and municipal expenditures on welfare were \$38,278,000 and the Dominion contributed \$10,400,000 more towards unemployment relief. These figures suggest that in Quebec public expenditures on welfare were, in 1937, about four times as large as private.

²⁰*Ibid.*, p. 87.

²¹*The Economic Background of Dominion-Provincial Relations*.

²²*Op. cit.*, p. 9.

²³*Prairie Population Possibilities*.

particularly interesting and important because it runs counter to the widely held opinion that the settlement of Canada's great open spaces is the solution not only to urban unemployment but also to other social problems.

Professor Stewart Bates, in his monograph on *Financial History of Canadian Governments*, reviews the public finance experience of the Dominion and of the nine provinces separately. He points out that even in recent years, when one-third of the national income has been directly redistributed by government, there has been no uniformity of fiscal policy, and that grave difficulties have been inherent in the practice of the Dominion, the provinces, and the local authorities each pursuing policies designed to meet only their own real or apparent needs. It is essential, he concludes, that the country have an integrated fiscal system and that it develop a "skilfully unified fiscal policy," which, while it "cannot, of course, prevent such depressions as that after 1929, might do much to mitigate their severity."²⁴

MUNICIPAL PATTERNS Mr. H. C. Goldenberg, in his study on *Municipal Finance in Canada*, shows that the financial strains and

stresses upon municipalities in recent years have arisen mainly on account of the great expansion in importance of three major functions, education, public welfare, and highways. Variety, he points out, is the essence of the municipal finance problem. Many municipalities are utterly unable to finance their functions properly, even with present systems of assistance from the provinces, while some are at the other extreme of financial security and comparatively low taxation. At the same time the 3500 municipal units in Canada vary greatly in size, in population, and in other characteristics, and a great many are not suitable administrative units. Referring to the growth of satellite suburban municipalities around the larger cities, Mr. Goldenberg says that "the general process of building up politically separate, but physically and economically connected municipal units, results in duplication, waste, inefficiency and inequality. Sometimes the suburbs prosper at the expense of the centre; more often all are weakened."²⁵ To overcome these problems amalgamation of municipalities within the metropolitan areas is required, along with centralized metropolitan planning. At the other end of the municipal scale there should be mergers of many rural municipalities and school districts, to obtain units large enough for efficient administration. Other items in the thorough-going program of municipal reform that is badly needed should include redistribution of functions as between the provinces and the municipalities, and provincial grants to the municipalities varied in accordance with some criterion of needs. Evidently Mr. Goldenberg does not oppose conditional grants-in-aid

²⁴*Op. cit.*, p. 18.

²⁵*Op. cit.*, p. 5.

from the provinces to the municipalities, nor does the Commission advise against this, although it does not make its position on this point very clear.

SUBSIDIES AND GRANTS Several political and administrative studies also deserve brief mention here. Messrs. Wilfred Eggleston and C. T. Kraft, in their monograph on *Dominion-Provincial Subsidies and Grants*, sketch the efforts that have been made by the Dominion to meet the perennial demands of the provinces for financial assistance, first by a system of unconditional subsidies dating from Confederation and later by the addition of conditional grants for a number of special services. Messrs. L. M. Gouin and Brooke Claxton, in their study on *Legislative Expedients and Devices Adopted by the Dominion and the Provinces*, show how both the Dominion and provinces have been straining against the limitations on their powers imposed by the British North America Act. They state that "a consideration of the constitutional conflict illustrated by the 160 cases brought to the Privy Council shows both the Dominion and the provinces insisting upon their rights, stretched to the utmost limits allowed by the courts . . . and shows how unlikely it would be for the Dominion and the provinces to cooperate to deal with any important and controversial question."²⁶

Prof. J. A. Corry expresses more sharply than any of his research colleagues the political difficulties of the Canadian Confederation in his two monographs on *The Growth of Government Activities Since Confederation* and *The Difficulties of Divided Jurisdiction*, and the Commission has drawn liberally from his analysis in developing its own argument and in supporting its recommendations. Professor Corry concludes that "when the Dominion and province share the administration of some function of government, it . . . leads, in most cases, to friction, waste and inefficiency."²⁷ He is pungent in his criticisms of the conditional grant in Canada and argues that, except for certain limited purposes, it has not been and is not likely to be a successful device. In reply to those who cite satisfactory American experience with the conditional grant he contends that in the United States political and administrative conditions are far more favorable to the operation of this device than in Canada. It is interesting to note that, although he is more forthright than others in condemning conditional grants, Professor Corry's appears to be the general view of the research group. The question of the conditional grant is dealt with in a number of the studies but nowhere is there favorable comment upon Canadian experience with it.

²⁶*Op. cit.*, p. 5.

²⁷*The Difficulties of Divided Jurisdiction*, p. 5.

A Programme of Constitutional Reform

The Commission's analysis, supported at many points by the independent conclusions of its expert advisers, points the way towards recommendations that are bold and far-reaching in their significance. In Canada, as in the United States, a type of federalism had been developing that involved joint federal and provincial action in various fields. The Commission says that the system has failed, and that there must be a return to an original principle of the British North America Act, that there should be a definite separation of Dominion and provincial powers. "The experience of the last decade," says the Commission, "has emphasized the supreme importance both of a clear division of responsibility between the Dominion and the provinces and of adequate revenues for each to enable it to fulfill its responsibilities."²⁸ With reference to the central question of jurisdiction "the topics that call for discussion are surprisingly few.... (They) are the great spending functions of social services and education and certain powers having to do with the regulation of economic activities."²⁹

The main recommendations are six in number, that by amendment of the British North America Act or otherwise provision should be made for:

1. Transfer from the provinces to the Dominion of full responsibility for the "maintenance of those unemployed who are employable and their dependents"³⁰ by means of unemployment insurance, "unemployment relief", or other measures.
2. Complete revision of public finance arrangements between the Dominion and the provinces, involving Dominion assumption of provincial debts, discontinuance of existing Dominion general subsidies and conditional grants, withdrawal of the provinces from the personal income, corporation, and inheritance tax fields, and the payment by the Dominion to the provinces of annual "national adjustment grants" varied in accordance with their needs.
3. Dominion authority to legislate on minimum wages, maximum hours of labor, and the age of employment, and to implement conventions of the International Labour Organization.
4. Concurrent jurisdiction by the Dominion and the provinces with respect to the marketing of a specified list of natural products, with power to add other products, by mutual consent, to the list.
5. Power for the Dominion Parliament to delegate responsibility to a province, or vice versa, in connection with any

²⁸Book II, p. 24.

²⁹*Ibid.*, p. 18.

³⁰*Ibid.*, p. 270.

function specified in the constitution as belonging to the one or the other.

6. Regular Dominion-provincial conferences to discuss problems of mutual concern, these to be served by a permanent secretariat.

AIDING UNEMPLOYED Dominion responsibility for the relief of the unemployed is necessary, the Commission believes, for several reasons. For one thing, relief has proven to be an "onerous function of government which cannot, under modern conditions, be equitably or efficiently performed on a regional or provincial basis."³¹ Moreover, there must be national concentration of responsibility if there is to be effective remedial action to deal with the causes of unemployment. It follows that there should be a national system of employment offices and of unemployment insurance. American experience with state unemployment compensation schemes has not been satisfactory,³² the Commission believes, partly because of the constant movement of insured workers across state boundaries, and a series of provincial unemployment insurance plans would be virtually unworkable in Canada. For similar reasons old age insurance in Canada should be nationally organized and administered, if and when such a program is introduced. The Commission points out that all of its recommendations are items in a total scheme, no part of which should be considered separately; but so important does it consider its first recommendation that it advocates Dominion assumption of responsibility for the unemployed whether its other proposals are adopted or not. This suggestion is advanced by the Commission as the substance of "Plan II", a possible but not strongly recommended policy if "Plan I", the preferred scheme which has been outlined above, should not be adopted.

PROVINCIAL MUNICIPAL SERVICES But the remaining health, welfare, and social insurance services should be operated and financed by the provinces and their municipalities. "Provincial responsibility for social welfare should be deemed basic and general; Dominion responsibility, on the other hand, should be deemed an exception to the general rule, and as such should be strictly defined."³³ In support of this position the Commission hints at the familiar argument that the local people know best how to meet the diversified needs of their own poor, but does not develop it to any extent. What the Commissioners mean, evidently, is that provincial and local administration of poor relief, mothers' allowances, institutional care, public health, workmen's compensation, and health

³¹*Ibid.*, p. 270.

³²The American system of unemployment insurance, authorized by the federal Social Security Act of 1935, provides for a payroll tax of three per cent to be paid by employers, 90 per cent of which may be credited to state unemployment compensation funds. This has encouraged the development of separate state systems in all of the 48 states.

³³Book II, p. 24.

insurance can be carried on efficiently by the provincial and local authorities if only they have sufficient revenues for the purpose, and that therefore there is no need to suggest a transfer of jurisdiction to the Dominion if the financial problem is solved. The same argument applies to old age pensions.

REVENUE RE-ALIGNMENTS The second recommendation is closely related to the first. If the Dominion is to take over the "onerous function" of unemployment relief it must have a revenue system that is strong and elastic. Hence the proposal is made that the provinces withdraw from the three important revenue fields of income, inheritance, and corporation taxation. Apart from the strengthening of Dominion financial powers that would follow from this it would have the incidental, yet very important advantage, of eliminating duplicate taxation in these fields and of permitting much more equitable, uniform, and efficient exploitation of these tax resources. Dominion assumption of outstanding provincial debts is another element in the scheme. This would clear outstanding burdens too great to be borne, in the case of some of the provinces, and would relieve them of grievances incidental to the unfair working of the federal system in the past. Hence all the provinces would be put in a position of equality for a new financial start. The final item in the plan is designed to keep them abreast of each other in financial strength. They are to surrender existing block subsidies from the Dominion that date back to Confederation and the conditional grants-in-aid that have been made since then (excepting that for old age pensions). In return they are to be offered "national adjustment grants" which are designed to be sufficient, "to enable each province, including its municipalities, without resort to heavier taxation than the Canadian average, to provide adequate social, educational, and developmental services."³⁴ In other words, the grants, when added to the yield of a reasonable level of taxation in each province, should guarantee "balanced provincial budgets after provision for expansion of education and welfare services to the national average where these are below it."³⁵ However, no province need go so far if it did not wish to do so. It might prefer to have sub-standard services and low taxation. Alternatively it might spend more than the national average upon its service and might pay the price through a higher level of taxation. In addition, the Commission proposes that the Dominion should stand ready to make a special emergency grant to any province faced with unusually bad economic conditions due to such catastrophe as prolonged drought. Evidently the Commissioners had Saskatchewan particularly in mind. These emergency grants would be made only for a year at a time, and would be reduced or eliminated as soon as possible.

³⁴*Ibid.*, p. 86.

³⁵*Ibid.*, p. 126.

The Commission itself, working from the premises outlined above, calculates the precise amounts of the national adjustment grants to be made to the provinces for the immediate future and recommends that these be irreducible. Grants are recommended for all of the provinces except Ontario, Alberta, and British Columbia, and a supplementary emergency grant is also recommended for Saskatchewan. The net result for all of the provinces, the Commission contends, would be to improve their current financial positions, and in addition they would have the assurance of financial solvency in the years that lie ahead. The municipalities in most of the provinces would also gain substantially.

The annual national adjustment and emergency grants recommended are listed below, together with the Commission's estimate of the average annual surplus of revenues over actual expenditures which each province would have had if the Commission's plan had been in effect during the period 1936-1939.

PROVINCE	ADJUSTMENT GRANTS	SURPLUS
Prince Edward Island	\$ 750,000	\$ 260,000
Nova Scotia	800,000	800,000
New Brunswick	1,500,000	2,250,000
Quebec	8,000,000	1,000,000*
Ontario	—	4,700,000
Manitoba	2,100,000	1,300,000
Saskatchewan	1,750,000†	2,650,000†
	4,000,000‡	
Alberta	—	2,200,000
British Columbia	—	900,000

*Calculations based on 1938-39 figures.

†Calculations based on 1937 figures.

‡Emergency grant.

To provide for the contingency of changing conditions the Commission recommends further that the national adjustment grants should be subject to review and revision every five years. There should be established, it is proposed, an independent advisory body with a secretariat of its own, the Finance Commission, to which provincial claims for revision of grants should be submitted. This body would be instructed to recommend changes on the basis of the same principles used by the Rowell-Sirois Commission in working out the original grants. To the Finance Commission would also be referred for study and advisory opinion provincial claims for emergency grants. Since its secretariat would be concerned constantly with research in the realm of provincial affairs the Commission would be abundantly fortified with the facts necessary to objective and quantitative application of its guiding principles, and its findings should carry great weight with the Dominion, which would make the final decisions.

There are some further refinements and items of detail in the Commission's financial plan, but these need not concern us here. No proposals are made on municipal finance. The Commission recognizes that this is a major problem in Canada, but does not attempt to deal with it specifically. It is, the Commission claims, particularly a problem for the various provinces. With their respective financial houses set in order by virtue of the proposals outlined above the provinces will be in a position to, and they should, undertake programs of municipal reform involving revised financial arrangements with the local authorities.

LABOUR STANDARDS The case for the third recommendation, regarding labour legislation, is obvious enough. The Commission considers that power to legislate on minimum wages, maximum hours, and age of employment is part of the general power of economic control which must be centralized. Moreover, it has been an anachronism that heretofore the Dominion Government, which has sent representatives to the meetings of the International Labour Organization, should not have had authority to implement conventions³⁶ of that body, and this should be corrected. Beyond these points it is not proposed that Dominion action in the labor field should go. The provinces should be empowered, the Commission thinks, to set higher standards than those imposed by the Dominion if they desire; and the business of enforcement should remain substantially in their hands. At this point it seems to the writer, that the Commission commits itself to a species of that "divided jurisdiction" which it has condemned so heartily in principle.

MARKETING The fourth recommendation, regarding concurrent jurisdiction in the case of the marketing of certain natural products, involves giving clear authority to the Dominion to deal with the marketing of products that enter into inter-provincial trade, while the provinces retain authority to deal with the marketing of products that do not cross provincial boundaries, such as milk. The Commission thinks that it would be wise to specify the products that may be controlled by Dominion action, provided that by mutual consent between the Dominion and the provinces other products may be added to the list. This proposal would provide some elasticity in the constitution, as would the fifth recommendation.

BLANKET TRANSFERS This would give a blanket right of delegation of responsibility by the Dominion to any province, or vice versa.

The Commission considers this proposal very important, for it would allow for changes in jurisdiction by agreement from time to time without the awkwardness of amending the constitution. For example, a province, if it did not desire to undertake the regulation

³⁶Agreements between nation members to adapt uniform legislation on various subjects.

of labor disputes, might delegate this function to the Dominion, and Dominion law on the subject would prevail in that province; while in other provinces which did not take such action provincial regulation would prevail.

The final recommendation, for regular (preferably annual) Dominion-provincial conferences, served by a permanent secretariat, is also designed to make the constitution work better by providing the machinery for discussion, compromise, and cooperation.

GENERAL In addition the Commissioners make various other recommendations and suggestions regarding public policy —far too many to mention here. But enough has been said to give the outlines of their grand scheme to guarantee to the Canadian people a reasonable level of social and other services, to solve pressing problems of public finance, to increase the efficiency of the Canadian economy, and to resolve regional and group conflicts that were threatening the disruption of the Canadian federation. The Commissioners believe that they have given due weight to both Dominion and provincial claims for authority. Their proposals, they claim, are neither “centralizing nor decentralizing in their combined effect but . . . will conduce to the sane balance between these two tendencies which is the essence of a genuine federal system and, therefore, the basis on which Canadian unity can most securely rest.”³⁷ Hence they hope that they are politically feasible—sufficient to satisfy the federalist demands of the West and the Maritimes without affronting the provincial rights feelings of Ontario and Quebec.

³⁷Book II, p. 276.

Social Service Implications

The Commission's proposals involve a sharp change in Canadian policy regarding the social services. For these were being built up progressively, as in the United States, on the financial foundation of conditional grants-in-aid and the administrative foundation of Dominion-provincial collaboration. The Commission proposes, instead, clear separation of Dominion and provincial administrative functions and financial independence for each level of government. What do these proposals mean for the social services?

GRANTS IN AID The first issue that deserves examination is that of conditional grants. The Commission's case against the system has four main points. In the first place, there is difficulty, with many grant-aided activities, in finding a clear-cut standard, or yardstick, to measure the amount of the grants that properly should be made. In the case of unemployment aid no formula to measure the varying needs of the different provinces has been, or easily can be discovered. Even if a simple percentage-of-cost principle has been adopted, as in the case of old age pensions, there are bound to be concepts in the law and in the regulations, such as "residence", "income", "need", and even "age", which, although simple in appearance, are really very much open to different interpretations by Dominion and provincial officials. Secondly, conceding the need for the setting of standards by the grant-making authority, there are serious administrative difficulties in enforcing these standards in Canada. Federal post-audit of expenditures is unsatisfactory because there can be honest differences of opinion as to what the regulations permit and because federal disallowance of any given expenditure after the event is usually considered unfair by the provinces. "To determine independently the correctness of all provincial expenditures on an aided activity, it would be necessary to duplicate provincial field staffs."³⁸ This, the Commission thinks, should not be contemplated. These two points mean that there is bound to be friction on the administrative level between Dominion and provincial officials.

Unfortunately—and this is the third point—there is no single authority on the administrative level to settle the disputes that are inevitable, so that administration becomes entangled in politics. Under the cabinet system of government there is "ministerial responsibility". The provincial official refers his grievance to his minister, a political functionary, and the Dominion official makes his defence to his

³⁸Book I, p. 259. This statement is open to question. Various devices that are commonly employed in Great Britain and the United States, such as standard accounting, uniform reporting and recording, reviewing samples of cases, and clear manuals of policy and procedure, make it possible for a comparatively small central field staff to supervise the activities of grant-aided authorities. The duties of the central agency field staff are quite different from those of the much more numerous operating agency staff, and there is no need for "duplication." This is apparent from the experience of the Social Security Board in its relations with state and local welfare departments in the United States.

minister. The two ministers fight the matter out, and a minor administrative question becomes "the subject of diplomatic interchange between governments, involving long delays in . . . settlement."³⁹ Thus the cabinet system is a factor of the first importance in considering the conditional grant system in the Canadian environment. Prof. Corry is even more forthright about it than the Commission. "Where the legislature and executive are linked by cabinet responsibility," he says, "political considerations may obtrude at any time into the administrative sphere. While the cabinet system ensures unity of administration within a single political unit it tends to undermine any unity of administration in the fields of divided jurisdiction in a federal state."⁴⁰

The fourth point is closely allied to the third. It is simply that the Dominion Government has no real power to impose sanctions against any recalcitrant province. For the only real sanction is withdrawal of a grant, and this is a power which "can rarely be exercised in practice."⁴¹ Since withdrawal of a grant may involve important political repercussions no Dominion Government would be likely so to discipline a provincial government of its own political stripe nor would it take similar action against a province with a different party in power because of the political capital that this would give the opponents of its friends in that province. The provinces know that the Dominion would hesitate long before withdrawing a grant and they are therefore not seriously impressed by threats of such action, particularly when these are made by administrative officials who do not have the last word in the matter.

**SOME GRANTS
DIFFERENT?** However, the Commission concedes that the conditional grant "may be used in some special cases and for some limited purposes."⁴² Small grants-in-aid for the purpose of improving, co-ordinating, or equalizing particular provincial services, such as mothers' allowances, may be justified. Especially is there a case, the Commission thinks, for grants in respect of "specialized health services where scientific standards for measuring efficiency are relatively easy to apply."⁴³ And, surprisingly enough in view of the argument that has been outlined above, the Commission is prepared to accept and does indeed recommend continuance of the present system of grants towards provincial old age pensions. "There are," says the Commission, "admitted defects in the present system,"⁴⁴ but there is less theoretical objection to grants for old age pensions than for unemployment aid because case loads are more stable and determination of eligibility for aid is far less difficult, thus making

³⁹*Ibid.*, p. 258.

⁴⁰*The Difficulties of Divided Jurisdiction*, p. 16.

⁴¹Book I, p. 258.

⁴²*Ibid.*, p. 258.

⁴³Book II, p. 44.

⁴⁴*Ibid.*, p. 32.

administration of the grants easier. Moreover, withdrawal of the present Dominion grant of 75 per cent of provincial costs would affect very seriously Dominion-provincial financial relations so that the national adjustment grants proposed by the Commission would have to be greatly increased. It must have been this latter point, essentially one of expediency, that dominated the Commission's thinking on the old age pension grants. For to approve them, after condemning the system of conditional grants so strongly, is to depart seriously from principle.

WE'VE NEVER HAD
REAL GRANTS IN AID

The Commission's case against the conditional grant in Canada is impressive, and Professor Corry's is even stronger, if at some points less

judicial and convincing. It is significant that not one of the expert advisers has a good word to say for the system. But it seems to the writer that both the Commission and its advisers have not given due weight to the fact that conditional grants have never been given a fair chance in Canada. In the case of unemployment aid grants, which they criticise particularly, and rightly, there has been no settled, permanent policy on the subject since the first unemployment relief act of 1930. There has been new legislation year by year, and the office of the Dominion Commissioner of Unemployment Relief has been on an emergency basis for ten years. The Commissioner has never had well-established regional offices, with permanent field officers, to serve him, nor has he had, under these limitations, competent technical personnel on his staff. In the provinces relief administration has likewise been conducted on an emergency basis, and, with some outstanding exceptions, the average administrative personnel has not been adequate.⁴⁵ Professional social workers have been drawn into relief administration scarcely at all by provincial governments or municipal authorities. Similar personnel, or personnel unacquainted with the social as opposed to the financial aspects of administration, on the whole has also represented both the Dominion and the provinces in the administration of two other important grants, those for old age pensions and employment offices, which the Commission criticises seriously.⁴⁶ On the other hand, the Commission points out that grants for venereal disease control and for technical education have not worked out too badly.

This last point is very important. It gives the clue to some of the major factors needed for the successful administration of conditional grants in Canada. The venereal disease and technical educa-

⁴⁵See the writer's *Unemployment and Relief in Ontario, 1920-1932* (Toronto: J. M. Dent and Sons, 1932) for an account of the rawness of relief administration early in the depression; and "Some Essentials in Canadian Social Welfare," *Proceedings of the Sixth Canadian Conference on Social Work*, 1938, for comments on personnel weaknesses in the Canadian social services.

⁴⁶See Luella Gettys, *The Administration of Canadian Conditional Grants* (Chicago: Public Administration Service, 1938), for a detailed account of weak administration of the major Canadian grants.

tion grants were well planned and the provincial schemes which they supported were administered by professionally trained personnel, public health physicians and educationalists. Is it not more than a coincidence that these grants were more successful than those for unemployment aid, old age pensions, and employment offices? Might not Canadian experience in connection with these grants have been substantially different, over the past ten years, if there had been competent, technical personnel in charge of administration, if consistent policies had been followed by the Dominion, and if adequate provision, based upon British and American experience, had been made for regional offices, field staffs, reports, educational effort, and other proven devices of administration? These are points that the commissioners do not mention in their report, and that are overlooked or scarcely mentioned in the studies by their expert advisers. The writer, after considerable observation of the Canadian welfare services both as an outsider and as an administrative official, feels that the waste, inefficiency, and administrative incompetence which has characterized too much of the management of unemployment aid from one end of the country to the other does much to explain the failure of the grant-in-aid aspect of the program. Granting the validity of much of the Commission's reasoning about the peculiar difficulties of conditional grants in Canada, the contention seems valid that it should be possible for skilled management by professionally trained personnel to afford considerable protection against the intrusion of political factors and against other difficulties mentioned by the Commission. There is much British, American, and even Canadian experience that might be cited in support of this view.

CAN WELFARE
SERVICES
BE DIVIDED?

Hence there are reservations of some importance to be made to the Commission's argument on conditional grants. The commissioners appear to overstate a good case on the subject. This leads them to recommendations that virtually deny the support and the stimulus of Dominion grants for any of the provincially administered social services apart from old age pensions. This will probably be an important loss for the social services, as will appear more clearly in the argument that follows, a disadvantage from the social service standpoint that is to be balanced against the financial and other advantages of the Commission's full plan.

Sharp division of the social service functions between the Dominion and provinces, as recommended by the Commission, promises some disadvantages that do not seem to receive sufficient attention in the report. Two major disadvantages may be suggested:

- (1) There may be serious administrative difficulties in organizing and operating separate relief services for "employables" and for "unemployables".

(2) Provincial autonomy in the greater part of the social service field will not be nearly as favorable to the development of good standards across the country as if there were the federal standards and leadership that might be associated with conditional grants, or such arrangements as might utilize provincial machinery, under Dominion retainer.

Dominion assumption of full responsibility for the relief of "employables", as recommended by the Commission, obviously involves the establishment of a new unemployment relief service, like the British Unemployment Assistance Board,⁴⁷ that will overlap the poor relief and categorical aid services to be operated by the provinces and the local authorities.⁴⁸ This duplication of administrative machinery promises to be costly in the large centres, requiring extensive municipal services, and particularly noticeable and annoying in the thinly populated parts of the country where case loads will be low and administrative costs are bound to be high. The Commission suggests that this difficulty may be overcome in part by cooperation between federal and provincial services and in some cases by "purchase of service" from the local authorities. This appears doubtful unless definite standards, prescribed and maintained through inspection were insisted upon, as an a priori principle by the Dominion. On any basis of previous experience the record of cooperation so far has been very poor, as the Commission has pointed out, and an efficient federal administrative staff would be unlikely to be satisfied, under other than these definitive controls, with the standard of service to be provided by the local welfare offices. Even more important, unless there were a basic qualifying standard and definition of admission, it would be a delicate business to entrust the determination of eligibility for receipt of federal assistance to local officials who would have an interest in keeping down their own case loads and expenditures.

EMPLOYABILITY The difficult problem of defining employability will have to be faced if there are to be separate services for employables and unemployables. Experience in Great Britain and

⁴⁷The Unemployment Assistance Board was established in 1935 to provide a nationally administered and financed relief service for destitute employable persons and their dependents. This service overlaps the poor law services operated by counties and county boroughs for destitute unemployables. While this development corrected previous difficulties in the system, whereby such aid was formerly administered as extended benefit by the Insurance offices, there have been serious administrative problems associated with the scheme, in spite of the long background of administrative experience in dealing with relief which the British have. Relative, or partial, success of this system in Britain, where standards of administration are much higher than in Canada and where the geographical difficulties in the way of central administration are far less, does not prove that the system would work nearly so well in this country. Evidently the Commission, like the National Employment Commission of 1937, was much influenced in its thinking by the development of the Unemployment Assistance Board in Britain.

⁴⁸It is worthy of note here that there is already a federal welfare service providing "unemployment relief" for certain classes of war veterans and allowances under the War Veterans' Allowance Act of 1930 that overlaps the welfare services of the provincial and local authorities dealing with the special social problems of these veterans, and their dependents. Whatever the merits of these services, they do make for duplication of administrative organization.

Canada, as well as in the United States, has amply demonstrated that it is almost impossible to distinguish clearly between these two groups: that at best definitions of employability are arbitrary working rules for particular purposes, and that even the best rules are very difficult to administer.⁴⁹ The Commission recognizes that there is a problem here and suggests that it be met by the promulgation of a clear definition by the Dominion and the establishment of impartial appeal boards in local communities to resolve conflicts over interpretation between federal and local authorities. These are sensible suggestions. But they offer no guarantee that there will not be serious friction between the provinces and the Dominion over the content of the definition and the working regulations. If this is to be minimized, it is imperative that administration procedures be made as simple and straightforward as possible.

BUDGETTING AID A further difficulty of the proposal has to do with the extent of the aid to be given to the employables by the Dominion. Shall it cover the full maintenance needs of themselves and their families? Presumably not in all cases, if the Commission's suggestion that "minimum going wages in the community should be maintained above this rate"⁵⁰ (of unemployment aid). Should it include medical aid? The Commission says that it might, but expresses a preference that medical care for all persons in need should be handled by the provinces and the local authorities. Should it cover special diets, transportation allowances, house equipment, retraining, resettlement, and the dozen and one other special items of assistance that enter into the administration of a complete program of aid to any destitute group? Should the budget allowances be kept in line with those of the local authorities dispensing other assistance and relief? Should they be varied from one community to another? Some of these questions the Commission recognizes as potential difficulties, but considers that they represent "details of policy and administration which the Commission feels are beyond its duty to advise upon; in any case, many of them can only be decided wisely in the light of experience."⁵¹ In large part this is true. But it is clear that every decision made upon these questions of detail will affect the interests of the provinces, since they are to bear the residual responsibility—that is, to be responsible for all social service functions not explicitly assumed by the Dominion. Thus there is ample room for friction between the Dominion and the provinces. Whatever the wording of the constitutional amendment or the Dominion Statute that may be adopted to implement this recommendation of the Commission, a large part of the content that goes into the scheme

⁴⁹The relation of the Employment Service to this task is discussed in Monograph II of this series.

⁵⁰Book II, p. 27

⁵¹Book II, p. 27.

must develop by means of the subsequent parliamentary enactments and regulations, and it seems very possible that this detailed drawing of boundaries between Dominion and provincial jurisdiction may not be achieved without the arbitration of particular disputes.⁵²

THE PROVINCIAL-MUNICIPAL SET-UPS Provincial autonomy with respect to the remainder of the social service field would involve

liabilities which the Commission does not seem to have recognized sufficiently. There is no good reason to believe that, even if their major financial problems were solved by virtue of the Commission's financial plans, the various provinces would proceed to build up their health and welfare services to reasonable standards. There would surely continue to be, as there is at present, a great lack of uniformity from province to province in policy and in administration. Left solely to their own devices and responsibility most of the provinces would probably continue to muddle along with their social services. Important problems that are now troublesome will be untouched, or half-measures will be undertaken. One of these problems is that of health and welfare services for inter-provincial migrants, or transients. Another is that of administrative organization on both the provincial and the local levels. In almost every province in Canada there is need for thorough-going reorganization of health and welfare departments. Financial arrangements between the provinces and their local authorities need to be completely revised. A great many municipalities are too small to be efficient local units for health and welfare administration and should be merged into larger administrative units. Administrative standards are generally poor and need urgently to be improved. There is a very great need for recruiting and training competent personnel. If these important problems are to be left entirely to the various provinces, without assistance and leadership from the Dominion, rapid progress in solving them can scarcely be expected.

The Canadian provinces are particularly in need of such assistance on a Dominion basis. Most of the provincial capitals are remote from the centres of wider and longer experience in building up professional training and administrative procedures. Some of the provincial and most of the local departments are too small to justify the employment of experts qualified to undertake, by themselves, difficult problems of planning and reorganization, or to support specialized services such as research, statistics, staff development, or public education. The relatively high standards of the local health, welfare, and educational services in Great Britain may be attributed largely to the central leadership and assistance which has been given

⁵²This seems likely in spite of the fact that the national adjustment grant system will iron out serious financial grievances periodically. Possible revision of a grant four or five years ahead will not prevent a province from fighting a new Dominion regulation that may affect its current budget by several hundred thousand dollars.

there since central control was begun under the Poor Law Board of 1834. During the last ten years there has been an enormous improvement in the quality of the state and local social services in the United States, largely on account of federal standards, technical assistance, and other forms of leadership provided by the Social Security Board, the Children's Bureau, the Public Health Service, the Office of Education, and such capable co-operating voluntary bodies as the American Public Welfare Association, the Child Welfare League, etc.. Even more than the English local authorities and the American states, the Canadian provinces need such stimulus and direction on a national basis.

Another liability of sharp division between the functions of the Dominion and the provinces is that it will discourage the establishment of any recognized nationally functioning and authoritative body charged with responsibility for over-all study and planning. Without such a national body neither the Dominion Government nor the provinces are likely to have the benefit of such broad thinking regarding future problems as the commissioners have offered in their report.

FINANCIAL ADVANTAGES These appear to be disadvantages of some importance incidental to the Commission's recommendations on the sharp division of administration among the social services. But on the other side of the ledger must be set the Commission's financial proposals. From the standpoint of financial stability for the social services these are of great merit. Since they deal with the total financial problems of the provinces and since they strike at fundamental weaknesses in the present tax system they avoid many of the difficulties encountered in attempts to adjust grants-in-aid of specific services to the needs of the grant-aided authorities. The broader the area covered and the greater the amounts of money involved, the easier it is to work out a satisfactory variable grant or equalization system. The Commission's plan goes to the heart of the financial problem of the social services as no program of adjusting a series of conditional grants in terms of needs can possibly do.

The plan endeavours to take the determination of grants outside the area of polities by providing for recommendations to Parliament by the semi-judicial Finance Commission. This is commendable, but there can be no final assurance that the objective will be achieved. The plan endeavors to assure justice to the various provinces by providing that each must be assured of revenues, from Dominion grants and from taxes no higher than a Dominion average, sufficient to provide social and other services for its citizens equivalent to a national average. This may appear to discriminate against the

provinces with the more advanced social services, which, if they are to retain higher-than-average standards, will have to levy higher-than-average taxation. Undoubtedly a case can be made for this. On the other hand, if the Dominion were to use a concept of "reasonable" services for setting grants this difficulty would disappear. Perhaps such a concept should be employed, since "average" standards of social services in Canada are certainly not high enough to meet the real needs of the Canadian people. Thus there are two questions about the Commission's financial plan to be raised. But they are not important enough to be used as effective arguments against it.

In summary, then, it seems that acceptance of the Commission's proposals regarding the social services and public finance is subject to some reservations. The outstanding advantages of the scheme lie in its promise to clear away the financial difficulties of the provinces and the local authorities and to lessen regional conflicts and political disunity. The chief disadvantages lie in administrative difficulties and in the danger of slow and uneven development of the provincial and local social services. But these disadvantages are not sufficient to destroy the Commission's case. On balance, it seems that the solution which is proposed has a great deal to commend it. In view of the peculiar problems of sectionalism in Canada and of the strong feelings for provincial autonomy in Quebec and other provinces it is particularly justified. Some such solution may be the only kind possible in Canada.

With slight modification it seems possible that the Commission's plan would avoid the major difficulties which have been pointed out. If the Commission had not gone so far in suggesting that the Dominion accept full responsibility for the full care of employable persons, administrative as well as financial, it would have been on safer ground. The prospective administrative problems, associated with a Dominion relief service for employables, would be largely avoided if the Dominion were merely to confine itself to the operation of employment offices, unemployment insurance, and various work relief, land settlement, migrant and rehabilitation programs, as in the United States,⁵³ leaving administration of all material aid to the provinces and local authorities. In this case the Dominion would undertake directly certain specific services, which can be fairly clearly defined by legislation and by regulation, and which would be essentially different in nature from those to be performed by the provincial and local agencies. While all the needs of employables and their

⁵³The federal government, through the Works Projects Administration, the Civilian Conservation Corps, the National Youth Administration, the Farm Security Administration, and the Surplus Marketing Administration, performs such functions in the United States. The specific administrative duties of these agencies are essentially different from those of the state and local agencies that administer direct relief to both employables and unemployables. Thus a pattern of organization has grown up that largely avoids federal and state-local duplication of service in the public assistance field.

dependents would not necessarily be met by this means the greater part of them might be if the Dominion would appropriate sufficient funds for special programs such as those that have been mentioned. Definitive standards and administrative procedures* could be developed which would assign to each governmental unit and service, major responsibility in the operating function for which it was best equipped. To the extent that material aid was required for employables, its costs could be met, up to 100% by the Dominion, and any operating services discharged by the provinces and local authorities could be equitably reimbursed.⁵² Thus the primary responsibility of caring for the unemployed, which the Commission desires the Dominion to assume, would be taken over in substance, if not completely, while the financial interests of the provinces would be protected, over five year periods, by the system of national adjustment grants, and over shorter periods by the system of emergency grants.

A second modification of the Commission's plan would be to put back into the equation some provision for Dominion concern with all aspects of the social services. Federal research, statistical, and consultant services to deal with problems of the social services would not be inconsistent with provincial autonomy in legislation and administration. Moderate use of conditional grants-in-aid in this area might also be suggested, chiefly for the purpose of giving to the Dominion authorities some influence in the development of standards. At various points in its report the Commission concedes the usefulness of modest grants for such purposes. Small grants would not be inconsistent with the equalizing system of national adjustment grants. They are much more defensible than the present system of old age pension grants, the continuance of which the Commission approves. If the grants do not have to bear the major burden of adjusting Dominion-provincial financial relations it is surely possible to hope that they will be helpful in developing good standards of work in Canada, and thus that they will overcome one of the weaknesses inherent in the Commission's scheme of provincial autonomy.

Such modifications, it is submitted, may be made, to the great advantage of the administration and the progressive development of the social services, without destroying the essentials of the Commission's great scheme of reform. It is to be hoped that the possibility of such action will be given serious consideration when measures to implement the Commission's recommendations are under review.

*See *Administrative Implications in Unemployment Insurance, the Employment Service, and Unemployment Aid*, No. II, in this series of monographs of The Canadian Welfare Council.

The War and the Report

Several comments upon the Commission's work remain to be made. The value of the report lies not alone in its positive findings. It also clears from the path of discussion several substantial red herrings. The view was widely held in Canada that the high costs of government were attributable to "too much government", and that great economies might be effected by amalgamating provinces. The Commission shows that the diagnosis was wrong and that there would be little or no advantage in the proposed cure. Another popular view was that there was a great amount of overlapping between Dominion and provincial administrative services. But the Commission did not find much evidence of this. The claims of various provinces of unjust treatment by the Dominion, which have been good political stock-in-trade for years, were examined in detail and in most cases were found wanting. Such red herrings had befogged discussion on the Dominion-provincial problem for many years and the Commission has rendered a great service in clearing them out of the way and in concentrating attention upon main issues.

The Commission's Report is particularly enlightening on the social services because it deals with them in the broadest possible setting, historical, constitutional, political, economic and financial. The breadth of perspective of the Report throws a light upon the Canadian scene which was certainly not there before, and has obviously enabled the Commissioners to propose a solution for pressing problems which could never come from a narrow approach. A reading of the document and its allied studies suggests how far afield from the center of the social services it is necessary to go if all the evidence necessary to their understanding is to be gathered.

Since the report was issued in war-time, just as the British Commonwealth was facing a desperate crisis, it may have seemed irrelevant to many Canadians. But now that the crisis of the summer of 1939 has been overcome and that Canada's war effort has been organized, there is more time to give to a consideration of home affairs. Already the government has implemented one important recommendation, by adopting a national unemployment insurance act in July of 1939. The Prime Minister has said, in a letter to all the provincial premiers on November 2, 1940, that "the report commends itself strongly to our judgment. We believe that no time should be lost in arranging for a conference with the provinces in order to secure, if possible, the adoption of the Commission's recommendations."⁵⁴ Such a conference has been summoned to meet in January, 1941. Evidently the Dominion Government agrees with the

⁵⁴House of Commons, *Votes and Proceedings*, (Nov. 7, 1940), p. 9.

commissioners who believe that the program which they advocate will be needed even more "in time of war and of post-war reconstruction than it is in time of peace."⁵⁵ War-time reorganization of Canadian life does not solve the basic problems of Canadian federalism which the Commission studied. For Canada to become strong for war, as well as for peace, these must be dealt with. The Commission has given to Canada a blueprint for constitutional reform which provides an informed basis of study and points the way to progress.

⁵⁵Book II, p. 275.

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Report of the Royal Commission on Dominion-Provincial Relations

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